

CITY OF MINDEN

INDEPENDENT ACCOUNTANT'S EXAMINATION REPORT
ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD
AUGUST 1, 2014 THROUGH JULY 31, 2015

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City of Minden

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Richard Armstrong	Mayor	January 2016
Kevin Zimmerman	Mayor Pro-Tem/Council Member	January 2016
John Wellman	Council Member	January 2018
Sara Arnold	Council Member	January 2016
Tim Ploen	Council Member	January 2020
Gerald Mcool	Council Member	January 2018
Teresa Tenner	City Administrator/Clerk	Indefinite
Scott Rodgers	Attorney	Indefinite

MUXFELDT ASSOCIATES, CPA, P.C.

Certified Public Accountant

December 2, 2015

Lonnie G. Muxfeldt
Certified Public
Accountant

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Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor
and Members of City Council:

I have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa legislature to provide oversight of certain Iowa cities. Accordingly, I have applied certain tests and procedures to selected accounting records and related information of the City of Minden for the period August 1, 2014 through July 31, 2015. The City of Minden's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures I performed are summarized as follows:

1. I reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. I reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. I reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. I obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.

5. I reviewed City funds for consistency with the City Finance Committee's (CFC) recommended Uniform Chart of Accounts (COA) and to determine if required funds and fund balances are properly maintained and accurately accounted for.

6. I reviewed the City's fiscal year 2015 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.

7. I reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.

8. I reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.

9. I reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.

10. I reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.

11. I reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.

12. I reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.

13. I reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.

14. I reviewed transfers between funds for propriety, proper authorization and accurate accounting.

15. I reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.

16. I reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, I identified various recommendations for the City. My recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

These agreed upon procedures do not constitute an audit of the financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Had I performed additional procedures, or had I performed an audit of the City of Minden, additional matters might have come to my attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Minden and other parties to whom the City of Minden may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Minden during the course of my agreed-upon procedures. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

Murphy Associates, CPA, P.C.

DETAILED RECOMMENDATIONS

CITY OF MINDEN

DETAILED RECOMMENDATIONS

FOR THE PERIOD AUGUST 1, 2014 THROUGH JULY 31, 2015

- (A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Cash - handling, reconciling and recording.
- (2) Receipts - opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll - recordkeeping, preparation and distribution.
- (5) Utilities - billing, collecting, depositing and posting.
- (6) Financial reporting - preparing and reconciling.
- (7) Journal entries - preparing and journalizing.
- (8) Computer system - Performing all general accounting functions and controlling all data input and output.
- (9) Accounting System - performing all general accounting functions, including journal entries, and having custody of assets.
- (10) Financial Reporting - preparing and reconciling.
- (11) Debt - recordkeeping, compliance and debt payment processing.

Recommendation - I realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

CITY OF MINDEN

DETAILED RECOMMENDATIONS

FOR THE PERIOD AUGUST 1, 2014 THROUGH JULY 31, 2015

- (B) Deposits and Investments - The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. In addition, a resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Recommendation - The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa. The City Council, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

- (C) Business Transactions - Business transactions between the City and City officials or employees which may represent conflicts of interest are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Kevin Zimmerman, Mayor Pro Tem - owner Zimmerman Sales & Service, Inc.	Beautification project & overhead doors	\$ 26,629

In accordance with Chapter 362.5(k) of the Code of Iowa, these transactions may represent a conflict of interest since total transactions were more than \$2,500 during the fiscal year and some services were not competitively bid.

Recommendation - It is noted that this is the only economically feasible vendor, however, the City should consult legal counsel to determine the disposition of this matter.

- (D) Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check.

Recommendation - The city should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

CITY OF MINDEN

DETAILED RECOMMENDATIONS

FOR THE PERIOD AUGUST 1, 2014 THROUGH JULY 31, 2015

- (E) Payroll - City employees are required to complete time cards. The City Council approves all pay increases. The following were identified:

Although time cards are maintained for all employees, there was no indication the time cards had been reviewed and approved by appropriate supervisory personnel prior to preparation of the payroll.

Annual wage increases for all City employees were approved based upon a percentage increase and the actual approved rates were not documented in the City Council minutes.

Recommendation - Time cards should be reviewed and approved by appropriate supervisory personnel prior to preparation of the payroll. The approval should be evidenced by the signature or initials of the reviewer and the date of the review. Wages of employees should be adequately documented in the City Council minutes. For example, Council approved a \$0.50/hour raise from \$15.00 to \$15.50 an hour, effective July 1, 20XX.

- (F) City Council Minutes - City Council minutes were not signed for the period August 1, 2014 through July 31, 2015 as required by Chapter 380.7 of the Code of Iowa.

Recommendation - The City should comply with the Code of Iowa which requires that the minutes be signed by the person taking the minutes, usually the clerk.

- (G) Certified Budget - The Fiscal Year 2015 city budget was amended in May and again in June 2015. Chapter 384.18 states, in part, *A city budget shall be amended by May 31 of the current fiscal year to allow time for a protest hearing to be held and a decision rendered before June 30. The amendment of a budget after May 31, which is properly appealed but without adequate time for hearing and decision before June 30, is void.*

Recommendation - The city budget is required to be amended by May 31 in order to be in compliance with Chapter 384.18 of the Code of Iowa.

- (H) Payment of General Obligation Bonds - Principal and interest on the City's general obligation sanitary sewer bonds were paid from the Enterprise, Sewer Fund. Chapter 384.4 of the Code of Iowa states, in part, *Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund.*

Recommendation - The City should transfer from the Enterprise, Sewer Fund to the Debt Service Fund for future funding contributions. Payments on the bonds should be made from the Debt Service Fund as required.

CITY OF MINDEN

DETAILED RECOMMENDATIONS

FOR THE PERIOD AUGUST 1, 2014 THROUGH JULY 31, 2015

- (I) Financial Condition - At June 30, 2015, the City had a deficit balance of \$96,775 in the General Fund.

Recommendation - The City should investigate alternatives to eliminate this deficit to return the fund to a sound financial position.

CITY OF MINDEN

MINDEN, IA 51553

NEWS RELEASE

Muxfeldt Associates, CPA, P.C., 2309 B Chatburn Avenue, Harlan, Iowa today released an agreed-upon procedures report on the City of Minden, Iowa for the period August 1, 2014 through July 31, 2015. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Muxfeldt Associates, CPA, P.C. recommended the City establish segregation of duties over cash, receipts, disbursements, payroll, utilities, journal entries, accounting system, computer system, debt and financial reporting. Muxfeldt Associates, CPA, P.C. recommended that City Council minutes comply with Chapter 380.7, which requires that the minutes be signed by the person taking the minutes, that the City comply with Chapter 12C.2 concerning naming official depositories, that the City comply with Chapter 12B.10B concerning adopting a written investment policy, that the City comply with Chapter 554D.114 concerning electronic check retention, that City employees' time cards be reviewed and approved by appropriate supervisory personnel and annual wage increases are adequately documented in the City Council minutes, that the City comply with Chapter 384.18 concerning City budget amendments occurring before May 31 of the current fiscal year, that the City comply with Chapter 384.4 concerning general obligation bond payments being made from Debt Service Fund, and that the City investigate alternatives to eliminate a deficit General Fund balance.

A copy of the examination report is available for review in the City Clerk's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.